

Insight Talk Show Conversations with CalPERS Leaders

Edition Title: Pension Study and New Investment Return numbers

Insight Host: Bob Burton

Guest: Anne Stausboll, CalPERS Chief Executive Officer

Date: August 3, 2011

Bob Burton:

Welcome once again to "Insight," a program designed to keep you up-to-date on CalPERS issues. In our interviews, over the past months and years, CalPERS leaders have responded openly here to issues like the concerns about ethics and performance of the investment fund during the global financial crisis. They've spoken out to keep the public record straight...as the brokers of reliable, factual information. However, during that time, there was little space in the headlines for "good news" about CalPERS. It seems only fair that you get a fuller picture. So, today we're going to take a few minutes to unabashedly share some "good news." Anne Stausboll, CalPERS Chief Executive Officer, is here to brief us on some positive developments today. Anne, the preliminary earnings report for investments in the last fiscal year certainly is good news.

Anne Stausboll:

Yes, the returns this year are excellent. The preliminary numbers show that the portfolio earned 20.7% for 2010-11. This is the best return CalPERS has had in 14 years and it's the second straight year of double-digit returns. These returns are a real tribute to the hard work and talent and skill of our investment staff here at CalPERS. Now given the market uncertainties we can't assume that we'll maintain this level of returns over the long term but the great news is that the portfolio has bounced back we are at 236 billion dollars going strong. And over the last 20 years, we've earned 7.9% which is over our 7 and 3/4% assumed rate of return.

Bob Burton:

We've always known that CalPERS pension payments were having a positive impact on California's economy. But a recent study has really spelled that out now in hard terms. So that's very good news.

Anne Stausboll:

Yes, we commissioned a study that was conducted by an economist here in California. And the study really shows the huge economic footprint that public pensions have on the economy here in California. So last year, for example, we paid out about eleven and a half billion dollars in pension payments. And what this study shows is that those payments generate this ripple effect. And there was an ultimate economic impact of about 26 billion dollars on the economy here in our state. What we really want Californians to understand is the huge economic engine that public pensions are, and the impact that they have on every business in California, whether is large or small.

Insight Talk Show Conversations with CalPERS Leaders

Bob Burton:

So this was a study commissioned specifically for the purpose of showing the impact on the state of California.

Anne Stausboll:

Well, in addition to showing the impact on the state, the study showed the impact that public pensions have on every county within our state. For that, 11.6 billion dollars in payments that were made, 93 thousand jobs were supported for a total of about 5 billion dollars in compensation. Every taxpayer dollar that's paid into the retirement fund, generates investment income over the long term. So when the pension payments are made, for example, last year, every dollar that was paid in, resulted in over 10 dollars in economic activity in our state.

Bob Burton:

Well more good news for CalPERS came in a recent legal analysis that pointed up that pensions are a vested right and that had been supported by the courts for some time. Why is this legal analysis so important?

Anne Stausboll:

What we wanted this legal report to show, was to bring focus to the 70 years of standing appellate court cases in California that address public employee benefits. What the courts have held over the years is that employees are entitled to the pension promises made them at the time they come to work and throughout the time of their employment, and that's what the courts call vested rights. Just because a government is facing budget challenges doesn't mean that it can reduce or eliminate those pension benefits.

Bob Burton:

As we wrap things up, do you have anything else you would like to share with our viewers?

Anne Stausboll:

Yeah, thank you. I again want to echo my thanks to the CalPERS investment staff and to the entire CalPERS staff for the amazing work they've done, this year. CalPERS has certainly had its shares of challenges the last couple of years, but we're emerging from that stronger and better than ever. We're better at managing our risk and we're dedicated to keeping the promises that have been made to our members and retirees and their families.

Bob Burton:

Thank you so much for being here today to share some very good news with us. We really appreciate it.

Anne Stausboll:

Thank you Bob.

Insight Talk Show
Conversations with CalPERS Leaders

Bob Burton:

You've been watching INSIGHT: Conversations with CalPERS Leaders. Our guest today was Anne Stausboll, CalPERS Chief Executive Officer. Follow us on Facebook and Twitter. And join us again soon for more INSIGHT.